

*“We are a welcoming, active and business-friendly rural  
Foothill community built on California’s rich gold rush history “*



**City Manager’s Report**  
**May 9, 2023 City Council Meeting**  
**Prepared By: Pierre Rivas**  
**Item#: 12.1**

**Subject:** Consideration of El Dorado Disposal Rates for the Collection of Solid Waste and Recycling within the City of Placerville Franchise Area.

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**Recommendation:** Adopt a Resolution of the City Council of the City of Placerville Adopting Rates for the Collection of Solid Waste and Recycling within the City of Placerville Franchise Area.

**Strategic Plan Strategy:** Health and Public Safety, Strategy 8: Solid Waste Disposal – Develop a Solid Waste Program that protects the environment and provides efficient and effective service.

**Purpose:** To consider a rate increase based on company performance and allowable increases in accordance with City Ordinance and the City’s franchise agreement with El Dorado Disposal.

**Background:** In July of 2009, the Council adopted an Ordinance (Ordinance No. 1629, City Code Title 7, Chapter 1A) regarding mandatory garbage service. Rates were set at that time based on mandatory service. Section 19.C of the Collection Franchise Agreement between the City and El Dorado Disposal allows for the annual CPI adjustment for hauling rates. Since 2010, the City and El Dorado Disposal has also negotiated and implemented a fuel adjustment based on the Extraordinary Cost Provision of the Agreement. This provision has either increased or decreased the annual rate adjustment based on the Producer Price Index for #2 Diesel Fuel. Staff meets with El Dorado Disposal monthly to review State requirements, operations and costs, and performance standards. Also considered are the two indexes used to determine a rate increase, if any, is warranted. The attached documents outline the proposed adjustment based on the indexes.

**Discussion:** The rate increase is based on two factors, the Consumer Price Index (CPI) for California and the Producer Price Index (PPI) for #2 Diesel Fuel. Attachments 3 and 4 to this report are the data sheets showing the calculation of these two indexes as outlined in the Ordinance. The CPI increase is 7.349%, and the fuel adjustment is 1.536%, for a total net adjustment of 8.884%. The CPI and PPI rate adjustments are only applied to the current base rate (current rate minus the Materials Recovery Rebuild project cost share in the amount of 3.23%, and the County Surcharge of 2.46%). Attachment 5 compares the monthly PPI each month from January 2010 through February 2023.

The PPI commodity data for fuels were calculated beginning in 2010 by the Bureau of Labor Statistics. The PPI used herein is for diesel fuel only. It can be assumed that the cost of fuel is included component in the CPI and is not adjusted accordingly thus a “double counting” occurs to some degree with adding the separately PPI to arrive at a total inflationary rate increase. This hearing allows the Council consideration of the CPI and PPI separately with the discretion to modify the request pertaining to both CPI and PPI.

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For residential customers with a 35-gallon container, this amounts to a \$2.57 per-month increase. The current rate is \$29.96, increasing by \$2.57 to \$32.53 for the new rate.

For commercial customers with a 3-yard front end load service, the current rate of \$324.11 will be adjusted to \$351.79 which amounts to a total of \$27.69 per-month increase.

A summary of the changes in rates for residential and commercial service is outlined below:

<u>Residential Cart Size-Weekly</u>	<u>Current 2022</u>	<u>Proposed 2023</u>	<u>Total Change</u>
35G Cart	\$29.96	\$32.53	\$2.57
35G Cart-Senior	\$22.33	\$24.25	\$1.92
64G Cart	\$44.10	\$47.88	\$3.78
64G Cart-Senior	\$40.13	\$43.57	\$3.44
69G Cart	\$52.03	\$56.48	\$4.45
69G Cart-Senior	\$47.28	\$51.33	\$4.05
<u>Commercial</u>			
3yd FEL 1x/wk	\$324.11	\$351.79	\$27.69
20yd Roll Off	\$550.90	\$597.95	\$47.06

The adjustment for the cost to upgrade to the Materials Recovery Facility (MRF) of 3.23% which equates to \$0.73 for the 35-gallon container is included in the total rate.

Also included in the total rate is a \$0.56 and \$4.45 pass-through County surcharge (\$10.80 per ton). This surcharge is applied to all jurisdictions in the County. The monies support the services provided by the County Environmental Management Department supporting the Union Mine Landfill operation and oversight; CalRecycle program collaboration, reporting, and oversight; staff support of the El Dorado County Solid Waste Advisory Committee; and oversight (through contract services) of the MRF and all open and closed landfills located in the County.

Attached to this report is a resolution adopting the new rates effective July 1, 2023. The resolution includes Exhibit A outlining all rates for all customers.

Attachment 6 to this report is a comparison of the 2022 rates with El Dorado Hills, Cameron Park, El Dorado County, and the City of Folsom.

Notice of this meeting to consider a rate increase was provided as required by ordinance in the last bill for disposal service. There are two options for the rate consideration, one is an automatic CPI increase, the other is a Rate Hearing process. The Rate Hearing process allows the Council additional discretion with respect to approving the CPI portion of the rate increase request as opposed to the increase occurring automatically pursuant to the agreement. Consideration of the PPI is not automatic and requires a hearing to consider "extraordinary cost provisions" as provided in the Franchise Agreement. Because of these provisions, the Council has discretion over approval of the increases. However, it should also be noted that the contract anticipates rate increase based on the CPI.

**Option:**

1. Adopt the resolution and rates as proposed.
2. Approve a rate increase pursuant to CPI only, excluding PPI.
3. Approve a rate increase pursuant to CPI only, and modify the requested PPI component.
4. Do not adopt the rate increase and provide staff with further direction.

**Cost:** There is no cost to the City at this time.

**Budget Impact:** No budget impact is anticipated.



M. Cleve Morris, City Manager



Pierre Rivas, Development Services Director

**Attachments:**

1. Resolution w/Exhibit A
2. Letter from El Dorado Disposal Requesting Rate Increase
3. Consumer Price Index Data Sheet
4. Fuel Producer Price Index Data Sheet
5. PPI Fuel Info-Monthly 2010-2023
6. EDD Rate Increase Comparison
7. EDD PowerPoint Presentation